

## *ROLES AND CHARACTERISTICS OF COOPERATIVE SUPERVISORS: AN INVESTIGATION IN AGRICULTURAL COOPERATIVES IN THAILAND*

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**Abstract:** In this paper, a survey data of 400 member-supervisor and third-person-supervisor from 366 agricultural cooperatives are used to compare their characteristics, the understanding in the cooperatives supervision, roles and responsibilities. The results show that although most of supervisors were farmer-members with limited education, their understanding in the cooperative supervision were moderate or good. The third- persons-supervisors tend to have better knowledge and understanding on the ethic of supervisors and assessment of board of directors than member-supervisors. The time devoted to cooperatives affairs were similar for member-supervisors and third-persons-supervisors, about 17 days per year. They frequently oversaw the board of directors in carrying out the policy, monitoring the financial conditions, and complying with rules and regulations of the cooperatives.

**Keywords:** member-supervisors, third-persons-supervisors, agricultural cooperatives, Thailand

**Introduction:**

Thai cooperatives register and operate their business under the Cooperative Societies Act, B.E. 2542. (Amendment B.E.2553). The requirement in section 53 of this act is “A cooperative shall have one or more supervisors elected from members or third persons by the general meeting to supervise the affairs of the cooperative and report the findings to the general meeting” (Cooperative Act.B.E.2542). The main functions of cooperatives supervisors are to monitor and supervise the board of directors in all aspects of cooperative management that are approved from general meeting. This includes inspection of accounts and records of the cooperative society, examination of the securities portfolio and inventory of goods, monitoring of the accounting process and the effectiveness of the internal control system, risk management and internal auditing.

Therefore, it is critical that the right members and/or third-persons are elected to be supervisors in the cooperatives societies. In agricultural cooperatives, most members are farmers who specialize mainly in farming activities and usually lack of the required managerial skills and experiences. It would be difficult to find qualify members that can serve as supervisors, or even those who are willing to serve. This is quite a challenge to agricultural cooperatives development. This study attempts to address the questions of the capability of the supervisors to fulfill its functions. Specifically, this study will analyze the qualification and performance of supervisors in agricultural cooperatives of Thailand.

**Objectives:**

The overall purpose of this study is to gain a better understanding of the roles and characteristics of elected supervisors in agricultural cooperatives. Specific objectives are to study and compare the differences between member-supervisors and third-persons-supervisors in 1) their characteristics 2) their knowledge and understanding in the areas of roles and responsibilities, cooperative law and regulations, cooperative principles, monitoring process and operations 3) their roles as supervisors and 4) their opinions toward the supervision of Thai cooperatives.

**Procedures and Results:**

Data used in this study were obtained from the project of “Strengthening farmers institutions through business inspection mechanism” supported by Cooperative Auditing Department. The samples comprised of 400 supervisors

from 366 sampled agricultural cooperatives. Self-administered questionnaires were distributed to the respondents between June-July 2011. A 5-level rating scale from 1(poor) to 5(excellent) was used as a quantitative measurement. Data were analyzed using descriptive statistics to explain the performance and characteristics of the supervisors of Thai agricultural cooperatives. T-Statistics was used to test the differences in the knowledge and understanding as well as the performances of member-supervisors and non-member-supervisors.

Number of Supervisors

Workable size and adequate representation of supervisors are important criteria for setting the number of elected supervisors of the cooperatives. However, there is no standard. Too many members can be clumsy and costly, while too few members can be overloaded with responsibilities and inadequate representation. However, the registrar of cooperatives limits the maximum number of supervisors by not greater than 5 persons. As shown in table 1, numbers of supervisors in agricultural cooperatives varies from 1 to 5, with an average of 1.86 supervisors per cooperatives. The Size of 2- supervisors was the most common among the cooperatives (44.48% of total cooperatives) followed by 1-supervisor (37.29%). Less than 2% of the total cooperatives that had 5 supervisors, the maximum number permitted by the registrar.

Table1: Number and percent of cooperatives, classified by number of supervisors

	Number of supervisors					Total
	1	2	3	4	5	
Number	135	161	54	5	7	362
Percent	37.29%	44.48%	14.92%	1.38%	1.93%	100.00%
	Average = 1.86					
	Standard Deviation = 0.856					

Source: Field Survey, 2011

∅ No answer = 38 respondents

Member-supervisors and third-persons-supervisors

To ensure “member-control”, the cooperative legislation prohibits non-members from serving in the board of directors. On the other hand, it allows the cooperatives to use “non-members” or “expert” supervisors with the approval from general meeting. Member-supervisors may bring some technical knowledge about the cooperative’s services and operation. However, the cooperative’s operations are complex and extend far beyond the farm activities. It is likely that farmer supervisors will lack the expertise that non-members or external-supervisors could provide. From the study, it is found that among 400 respondents, 362 of them (about 90%) were member-supervisors and only 38 of them (about 10%) were third-persons-supervisors. It is also found that the number of third-persons-supervisors positively related with the number of members of cooperatives, i.e. when membership size increase from <5,000 to >5,000 members, the number of third-persons-supervisors rose from 4.62% to 14.15%. (Table 2)

Table 2: Number and percent of member-supervisors and third-persons-supervisors classified by size of sample cooperatives

Type of supervisors	Size of cooperatives (number of members)		Total
	<5,000	>5,000	
Member-supervisors	186 (95.38%)	176 (85.85%)	362 (90.50%)
Third-persons supervisors	9 (4.62%)	29 (14.15%)	38 (9.50%)
Total	195 (48.75%)	205 (51.25%)	400 (100.00%)

Source: Field Survey, 2011

### Characteristics of Supervisors

As presented in table 3, among the 400 respondents, the majority (75%) were male, about one-half (52%) were more than 50 years old. Although, one-third (31%) of them completed college or higher education, only 14% had background in management, finance and cooperative economics. In addition, 45 % of all respondents had no experience as supervisors and 38% had no training experiences.

Table 4 shows the statistical details of characteristics of both member-supervisors and third-persons- supervisors. As can be seen, the proportion of female supervisors and younger supervisors were higher among third-persons-supervisors. From education point of view, over 70% of member-supervisors did not have even college degrees, while about one-half (47%) of the third-persons-supervisors having college degree or higher. In the supervisory experiences, the proportion of supervisors who had experiences was slightly higher among member-supervisors than third-persons-supervisors. In addition, the proportion of supervisors who had training experiences was slightly higher among third-persons-supervisors than member-supervisors.

Table3: The characteristics of sample supervisors

Total respondents = 400

Characteristics	Number	Percent
Gender : Male	291	72.75
Female	109	27.25
Age: < 40	61	15.25
41-50	130	32.50
> 50	209	52.25
Education: High school	275	68.75
College/university	104	26.00
Master or higher	21	5.25
Field of study: Coop economics	8	2.00
Accounting	20	5.00
Management	29	7.25
Supervisory experience: No	180	45.00
1-3 years	163	40.75
> 4 years	57	14.25
Training experiences: No	153	38.25
Yes	247	61.75

Source: Field Survey, 2011

Table 4: The characteristics comparison between member-supervisors and third-persons-supervisors

Personal Characteristics	Member-supervisors	Third-persons-supervisors
Gender: Male	270 (74.59%)	21 (55.26%)
Female	92 (25.41%)	17 (44.74%)
Age : < 40	47 (12.98%)	14 (36.84%)
41-50	117 (32.32%)	13 (34.21%)
> 50	198 (54.70%)	11 (28.95%)
Education: High school	255 (70.44%)	20 (52.63%)
College/university	88 (24.31%)	16 (42.11%)
Master or higher	19 (5.25%)	2 (5.26%)
Supervisory experience: No	160 (44.20%)	20 (52.63%)
1-3 years	156 (43.09%)	7 (18.42%)
> 4 years	46 (12.71%)	11 (28.95%)
Training experiences: No	140 (38.68%)	13 (34.21%)
Yes	222 (61.32%)	25 (65.79%)

Source: Field Survey, 2011

#### Time Devoted to Cooperatives Affairs

The amount of time supervisors devoted to their cooperatives could reflect the potential contribution of the supervisors to the performance of the cooperatives. The respondents were asked to estimate the time they spent on cooperative affair. As shown in table 5, the number of days per year supervisors allocated to their work varies substantially from 1 to 80 days. The average time spent per year was about 17 days. About 30% of them spent less than 10 days, while 6% devoted over 30 days.

As shown in table 6, the average time spent on cooperatives affairs of member-supervisors was less than that of third-person-supervisors (16.65 compared to 19.62 days/year), although statistically insignificant at 95% confidence level.

Table 5: Time spent on cooperatives affairs by supervisors

Number of days per year	Member- Supervisors	Third-person-supervisors	Total
<10	99 (30.18%)	7 (20.59%)	106 (29.30%)
10-20	111 (33.85%)	15 (44.12%)	126 (34.80%)
21-30	99 (30.18%)	8 (23.53%)	107 (29.60%)
>30	19 (5.79%)	4 (11.76%)	23 (6.40%)
Total	328 (100.00%)	34 (100.00%)	362 (100.00%)
Average	16.65	19.62	16.91
Maximum	80	60	80
Minimum	1	1	1

Valid samples = 362

Source: Field Survey, 2011

Table 6: Statistical analysis of T-test for mean difference of time spent on cooperatives affairs between member-supervisors and third-person-supervisors

Type of supervisor	number	mean	Standard deviation	t-value	P-value
Member-supervisors	328	16.65	10.333	-1.532	0.126
Third-person-supervisors	34	19.62	14.058		

### The Understanding in the Cooperatives Supervision

A set of questions were formulated to determine the level of understanding and knowledge in the cooperatives supervision of the supervisors. The self-assessment of the supervisor samples shows that the supervisors generally have average level of knowledge and understanding related to their roles and responsibilities. They tend to have better understanding and knowledge in cooperatives principles, their ethics, functions and responsibilities than monitoring, evaluation and reporting of the BOD performance as well as cooperatives law (Table 7). Comparing between member-supervisors and third-person-supervisors, the t- statistics shows that the two groups are different in all indicators, except for cooperatives law and principles (Table 8).

Thus, the self-assessment of supervisor samples indicates that supervisors are generally understand and know quite well about the concepts and regulation of cooperatives and their roles and responsibilities. They are also sufficiently knowledgeable on monitoring and evaluation of the performance of the BOD. The self-assessment also shows that third-person-supervisors tend to have better knowledge and understanding than the member-supervisors, especially on the ethic of supervisors and assessment of BOD.

Table7: Self-assessment scores of respondents by supervisory knowledge and capabilities area

Supervisory knowledge and capabilities area	Mean	Interpretation	Valid samples
- Cooperatives Principles	3.49	Good	396
- Cooperatives Act, 2542	3.22	Average	396
- Ethic of Supervisors	3.66	Good	394
- Function/Responsibilities of Supervisors	3.70	Good	394
- Monitoring process	3.31	Average	390
- Evaluation the BOD performance	3.23	Average	384
- Report writing	3.25	Average	378

The response ranking choices were: 1= poor, 2= fair, 3= average, 4= good, 5= excellent

BOD = Board of Directors

Source: Field Survey, 2011

Table8: Self-assessment scores of member-supervisors and third-person-supervisors

Supervisory knowledge and capabilities area	Member-supervisors	Third-persons-supervisors	t- statistics
- Cooperatives Principles	3.47	3.63	-1.18NS
- Cooperatives Act, 2542	3.18	3.47	-1.94NS
- Ethic of Supervisors	3.63	3.94	-2.67**
- Function/Responsibilities of Supervisors	3.66	3.97	-3.13**
- Monitoring process	3.27	3.55	-2.01*
- Evaluation the BOD performance	3.19	3.55	-2.57**
- Report writing	3.21	3.57	-2.43*

The response ranking choices were: 1= poor, 2= fair, 3= average, 4= good, 5= excellent

\* = significance level 0.05, \*\* = significance level 0.01

Source: Field Survey, 2011

### Roles of Supervisors

Supervisors were asked to rank their roles in overseeing the BOD in various operation related activities. These include communication with members, implementing the cooperatives' policies, monitoring the financial conditions and internal control system of cooperatives, and complying with the cooperatives rules and regulations (Table 9). The study found that, for all activities, over 50% of the responses were either frequently or most frequently oversaw the key activities of the BOD. Nevertheless, over 10% of supervisors either never or hardly oversaw the communication with members (Table 9). Comparing between member-supervisors and third-persons-supervisors, the t-statistics shows that the two groups are statistically indifferent in all activities at 95% confidential level. (table10)

Table 9: Self-assessment scores of supervisors classified by the roles in overseeing selected activities of the BOD

How frequent do you oversee the BOD in these activities?	Response Ranking					Average Score	Interpret
	5	4	3	2	1		
- Communication with members	50 (12.5%)	156 (39.0%)	127 (31.8%)	17 (4.2%)	50 (12.4%)	3.35	Sometimes
- Carrying out the coop policy	64 (16.0%)	200 (50.0%)	94 (23.5%)	11 (2.8%)	31 (7.7%)	3.64	frequently
- Monitoring the financial condition of the coop	58 (14.5%)	187 (46.8%)	100 (25.0%)	18 (4.5%)	37 (9.2%)	3.53	frequently
- Monitoring the internal control system of coop	41 (10.2%)	190 (47.8%)	105 (26.2%)	21 (5.2%)	43 (10.5%)	3.41	frequently
- Complying with the rules and regulations	76 (19.0%)	195 (48.8%)	76 (19.0%)	21 (5.2%)	32 (8.0%)	3.65	frequently

The response ranking choices were: 1= never/hardly ever, 2= rarely, 3= sometimes, 4= frequently, 5= most frequently.

The average score were defined as: 1.00-1.80= hardly ever, 1.81-2.60 = rarely, 2.61-3.40 = sometimes, 3.41-4.20 = frequently, and 4.21-5.00 = most frequently.

Source: Field Survey, 2011

Table10: Self-assessment scores of member-supervisors and third-persons-supervisors

How frequent do you oversee the BOD in these activities?	Member-supervisors	Third-persons supervisors	t-statistics
- Communication with members	3.33	3.47	-0.73NS
- Carrying out the coop policy	3.61	3.81	-1.34NS
- Monitoring the financial condition of the coop	3.51	3.73	-1.48NS
- Monitoring the internal control system of coop	3.38	3.63	-1.52NS
- Complying with the rules and regulations	3.65	3.65	-0.01NS

The average score were defined as: 1.00-1.80= hardly ever, 1.81-2.60 = rarely,  
2.61-3.40 = sometimes, 3.41-4.20 = frequently,  
4.21-5.00 = most frequently.

Source: Field Survey, 2011

#### Opinions toward the supervision of cooperatives

To obtain perceptions toward the supervision of cooperatives, the respondents were asked to indicate the extent to which they agree or disagree with statements that describe the supervisors' qualification and supervisory system (table 11). More than 90% of the respondents agreed and strongly agreed with the statement that supervisors of any cooperatives should pass a training program provided by Cooperative Auditing Department (CAD), with the highest average score of 4.32. For the supervisory system, approximately 85% of the respondents agreed that in case that a cooperative has more than one supervisors, at least one supervisor should have expertise in accounting. Similarly, approximately 81% of the respondents agreed that supervisors of any cooperatives should receive a certificate in accounting, finance or related fields. Approximately 77% of the respondents agreed that Cooperative Auditing Department should list the names of prospective supervisors. With more than 60% of the respondents agreed that supervisors of any cooperatives shall be elected from members only.

Slightly more than one-half of respondents agreed that cooperatives should be supervised by "supervisory board" instead of "individual supervisor". The only proposal that less than one-half of the respondents agreed was that the cooperatives should be more self-regulated through the cooperative movement without government intervention.

#### Conclusion:

The survey results indicated that the majority of supervisors in agricultural cooperatives were male, more than 50 years old, completed high school and had no supervisory experiences. The average time spent per year in cooperatives affair was about 17 days. From the view point of all respondents, they had a good understanding of the cooperatives principles, ethic of supervisors and their function/responsibilities. They also had average understanding of the monitoring process and evaluation of the board of directors' performances.

While the supervisors frequently oversaw the board of directors in carrying out the cooperatives policy, monitoring the financial conditions of the cooperatives and complying with the rules and regulations, they sometimes oversaw the BOD in communicating with members.

Comparing between member-supervisors and third-persons-supervisors, the study found that the third- persons-supervisors tend to have better knowledge and understanding than member-supervisors, especially on the ethic of supervisors and assessment of the BOD.

The survey also revealed that over 80% of the supervisor samples agreed and strongly agreed that supervisors of agricultural cooperatives should pass a training program provided by CAD. They also agreed and strongly agreed that at least one supervisor should have expertise in accounting and obtain a certificate in accounting, finance or related fields.

Table11: Percent of supervisors classified by their opinions toward the supervision of cooperatives

Opinion of supervisors				Average score	Interpret
	Strongly agree/ Agree	Uncertain	Disagree/ Strongly disagree		
Statements about the supervision of cooperatives					
The supervisors of any cooperatives should.....					
- receive a certificate in accounting, finance or related fields.	315 (81.7%)	36 (9.3%)	35 (9.0%)	3.96	Agree
- elected from members only. (61.0%)	237	50 (12.9%)	101 (26.1%)	3.51	Agree
- pass a training program provided by Cooperative Auditing Department(CAD)	353 (91.0%)	26 (6.6%)	9 (2.4%)	4.32	Strongly agree
In the supervisory system, ...					
- CAD should list the names of prospective supervisors.	300 (77.7%)	66 (17.1%)	20 (5.2%)	3.98	Agree
- at least one supervisor should have expertise in accounting (in case a cooperative has more than one supervisor)	331 (85.2%)	46 (11.9%)	11 (2.9%)	4.08	Agree
- the cooperative should be more self-regulated through the					
cooperative movement without government intervention.	171 (44.0%)	67 (17.3%)	150 (38.7%)	3.09	Uncertain
- a cooperative should be supervised by “supervisory board” rather than “individual supervisor”	219 (56.7%)	110 (28.5%)	57 (14.8%)	3.53	Agree

The response ranking choices were:  
1=strongly disagree, 2= disagree, 3= uncertain, 4= agree, 5=strongly agree.

The average score were defined as:  
1.00-1.80= strongly disagree, 1.81-2.60 = disagree,  
2.61-3.40 = uncertain, 3.41-4.20 =agree, and 4.21-5.00 =strongly agree.

Source: Field Survey, 2011



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